

WEST MONONA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
District-Wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Net Assets	H 21
Statement of Cash Flows	I 22
Notes to Financial Statements	23-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42
Schedule of Findings	43-45

West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 election)		
Robert Skelton	President	2007
Denise Johnson	Vice President	2006
Larry Kreger	Board Member	2005
Mary Jo Dehn	Board Member	2005
Carrie Dickman	Board Member	2007
Board of Education (After September 2005 election)		
Robert Skelton	President	2007
Carrie Dickman	Vice President	2007
Denise Johnson	Board Member	2006
Bo Fox	Board Member	2008
Amy Maule	Board Member	2008
School Officials		
Dr. John Stanton	Superintendent	2006
Kathryn Holverson	District Secretary/ Treasurer(Interim)	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2006 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Monona Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for one year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Monona Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,385,821 in fiscal 2005 to \$5,638,830 in fiscal 2006, while General Fund expenditures increased from \$5,109,808 in fiscal 2005 to \$5,748,250 in fiscal 2006. The District's General Fund balance decreased from \$25,143 in fiscal 2005 to a deficit \$84,277 in fiscal 2006.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$44,894 in fiscal year 2005 to \$104,700 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Monona Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

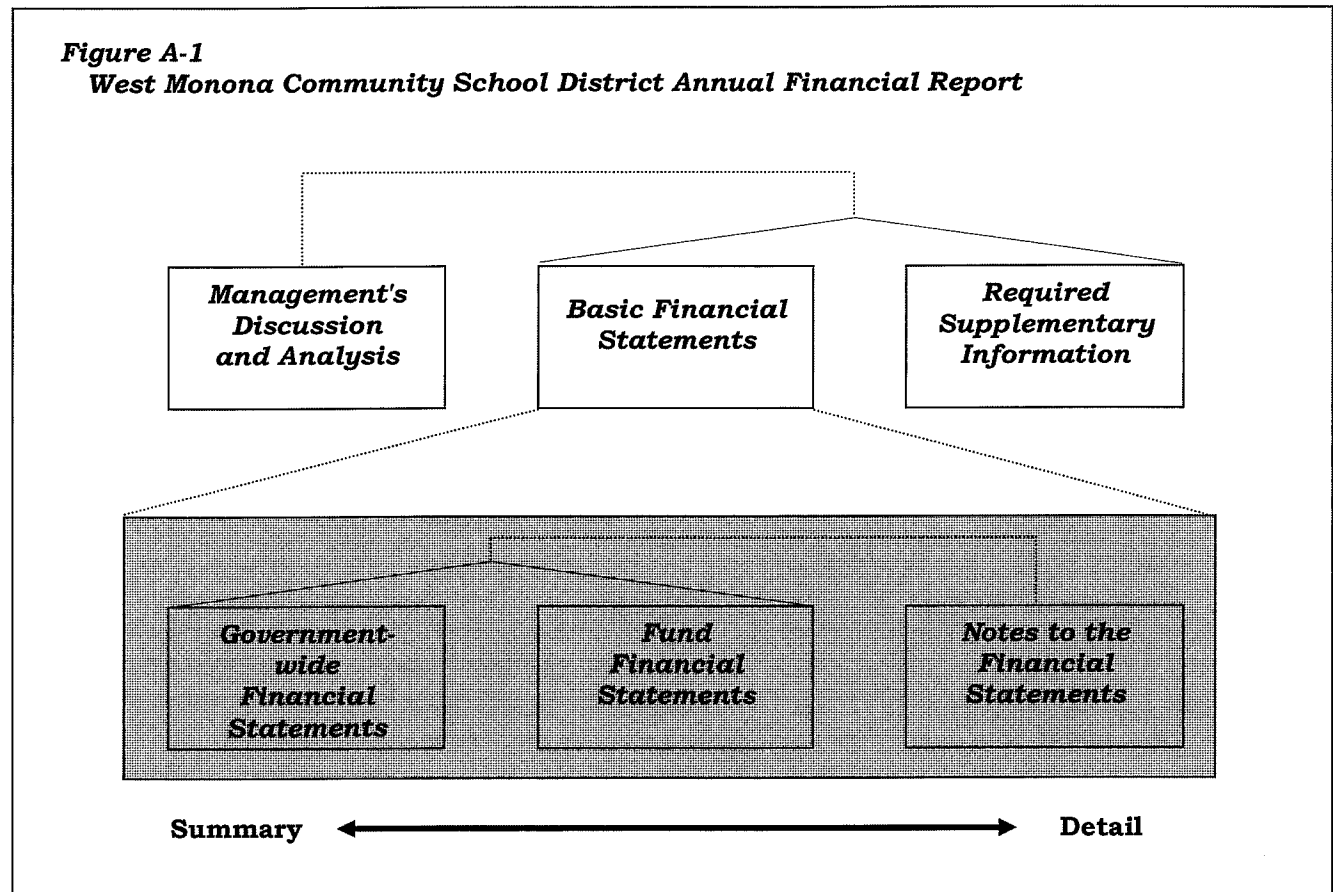


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 6,101,893	5,341,150	52,486	63,892	6,154,379	5,405,042	13.86%
Capital assets	1,465,609	1,439,446	28,985	16,621	1,494,594	1,456,067	2.65%
Total assets	7,567,502	6,780,596	81,471	80,513	7,648,973	6,861,109	11.48%
Long-term obligations	825,913	960,406	0	0	825,913	960,406	-14.00%
Other liabilities	5,273,233	4,556,178	0	0	5,273,233	4,556,178	15.74%
Total liabilities	6,099,146	5,516,584	0	0	6,099,146	5,516,584	10.56%
Net assets:							
Invested in capital assets, net of related debt	1,395,616	1,190,865	28,985	16,621	1,424,601	1,207,486	17.98%
Restricted	142,161	87,969	0	0	142,161	87,969	61.60%
Unrestricted	(69,421)	(14,822)	52,486	63,892	(16,935)	49,070	-134.51%
Total net assets	\$ 1,468,356	1,264,012	81,471	80,513	1,549,827	1,344,525	15.27%

The District's combined net assets increased by 15.27%, or \$205,302, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$54,192, or 61.6% over the prior year. The increase was primarily a result of increased in the unspent grant revenues.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$66,005, or 134.51%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 341,830	438,805	104,817	108,492	446,647	547,297	-18.39%
Operating grants and contributions and restricted interest	814,744	731,745	139,483	136,231	954,227	867,976	9.94%
Capital grants and contributions and restricted interest	0	1,485	0	0	0	1,485	-100.00%
General revenues:							
Property tax	2,072,864	1,728,474	0	0	2,072,864	1,728,474	19.92%
Income surtax	0	116,826	0	0	0	116,826	-100.00%
Local option sales and services tax	330,380	275,818	0	0	330,380	275,818	19.78%
Unrestricted state grants	2,800,602	2,737,771	0	0	2,800,602	2,737,771	2.29%
Unrestricted investment earnings	134,168	57,594	5,262	2,218	139,430	59,812	133.11%
Other	9,061	50	0	0	9,061	50	18022.00%
Total revenues	6,503,649	6,088,568	249,562	246,941	6,753,211	6,335,509	6.59%
Program expenses:							
Governmental activities:							
Instructional	3,874,023	3,471,432	0	0	3,874,023	3,471,432	11.60%
Support services	1,984,578	1,762,979	0	0	1,984,578	1,762,979	12.57%
Non-instructional programs	10,199	12,046	248,604	240,647	258,803	252,693	2.42%
Other expenses	430,505	401,006	0	0	430,505	401,006	7.36%
Total expenses	6,299,305	5,647,463	248,604	240,647	6,547,909	5,888,110	11.21%
Changes in net assets before extraordinary items	204,344	441,105	958	6,294	205,302	447,399	-54.11%
Extraordinary Items:							
Reorganization settlements	0	81,498	0	55	0	81,553	-100.00%
Changes in net assets	204,344	522,603	958	6,349	205,302	528,952	-61.19%
Beginning net assets	1,264,012	741,409	80,513	74,164	1,344,525	815,573	64.86%
Ending net assets	\$ 1,468,356	1,264,012	81,471	80,513	1,549,827	1,344,525	15.27%

In fiscal 2006, property tax and unrestricted state grants account for 74.9% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.9% of the revenue from business type activities.

The District's total revenues were approximately \$6.75 million of which \$6.5million was for governmental activities and \$.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.59% increase in revenues and an 11.21% increase in expenses. The increase in expenses was related to increases in the negotiated salary and benefits in the Propriety, School Nutrition.

Governmental Activities

Revenues for governmental activities were \$6,503,649 and expenses were \$6,299,305.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,874,023	2,938,078
Support services	1,984,578	1,983,714
Non-instructional programs	10,199	10,199
Other expenses	430,505	210,740
Totals	<u>\$ 6,299,305</u>	<u>5,142,731</u>

- The cost financed by users of the District's programs was \$341,830.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$814,744.
- The net cost of governmental activities was financed with \$2,072,864 in property tax, \$330,380 in local option sales and services tax, \$2,800,602 in unrestricted state grants, \$134,168 in interest income and \$9,061 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$249,562 and expenses were \$248,604. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Monona Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$743,063, above last year's ending fund balances of \$739,667. The primary reason for the increase in combined fund balances in fiscal 2006 is due to the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state grants resulted in increased revenues. The increase in revenues was less than the increase in expenditures resulted in the District fund balance decreasing by \$109,420.

-
- The General Fund balance decreased from \$25,143 to a deficit \$84,277, due in part to the increase in the negotiated salaries and benefits expenditures.
 - The Debt Service Fund balance increased from \$312,258 in fiscal 2005 to \$361,677 in fiscal 2006. Part of the requirement for the revenue bonds was to reserve 10% of the bond issue to make the final payment. The District transfers local option sales and services tax monthly to the Debt Service Fund to repay the revenue bonds. The increase in the Debt Service Fund is due to the excess amount of local option sales and services tax transferred to make the future bond payment.
 - The Capital Projects Fund balance increased from \$329,940 in fiscal 2005 to \$367,868 in fiscal 2006. An increase in the revenues during the year was enough to offset the increase in expenditures to allow the fund balance to improve.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$80,513 at June 30, 2005 to \$81,471 at June 30, 2006, representing an increase of 1.2%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$261,150 more than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function due to the timing of expenditures paid at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.65% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$320,277.

The original cost of the District's capital assets was \$5.46 million. Governmental funds account for \$5.39 million with the remainder of \$.07 million in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 92,549	92,999	0	0	92,549	92,999	-0.48%
Construction in progress	14,367	0	0	0	14,367	0	100.00%
Buildings	1,065,902	1,159,771	0	0	1,065,902	1,159,771	-8.09%
Land improvements	125,619	58,393	0	0	125,619	58,393	115.13%
Machinery and equipment	167,172	128,283	28,985	16,621	196,157	144,904	35.37%
Total	\$ 1,465,609	1,439,446	28,985	16,621	1,494,594	1,456,067	2.65%

Long-Term Debt

At June 30, 2006, the District had \$825,913 in revenue bonds and other long-term debt outstanding. This represents a decrease of 14% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$250,000 at June 30, 2006.

The District had outstanding Revenue Bonds payable of \$540,000 at June 30, 2006.

The District had outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$35,913 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		2005-06
	2006	2005	
Capital Loan Notes	\$ 250,000	285,000	-12.3%
Revenue Bonds	540,000	655,000	-17.6%
Car Lease	0	1,722	-100.0%
Early Retirement	35,913	18,684	92.2%
Totals	\$ 825,913	960,406	-14.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's

General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.

- Taxable property value is expected to continue to decline because of state level policy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Holverson, Interim District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 2,349,850	0	2,349,850
Other	1,027,024	46,511	1,073,535
Receivables:			
Property tax:			
Delinquent	41,644	0	41,644
Succeeding year	2,387,519	0	2,387,519
Income surtax	95,135	0	95,135
Accounts	2,932	0	2,932
Accrued interest - ISCAP(Note 4)	21,598	0	21,598
Due from other governments	159,226	0	159,226
Prepaid expenses	16,965	0	16,965
Inventories	0	5,975	5,975
Capital assets, net of accumulated depreciation(Note 5)	1,465,609	28,985	1,494,594
Total Assets	7,567,502	81,471	7,648,973
Liabilities			
Accounts payable	3,122	0	3,122
Salaries and benefits payable	489,812	0	489,812
Accrued interest payable	9,538	0	9,538
ISCAP warrants payable(Note 4)	2,348,000	0	2,348,000
ISCAP accrued interest payable(Note 4)	18,804	0	18,804
ISCAP unamortized premium	16,438	0	16,438
Deferred revenue:			
Succeeding year property tax	2,387,519	0	2,387,519
Long-term liabilities(Note 6):			
Portion due within one year:			
Capital loan notes payable	35,000	0	35,000
Revenue bonds payable	125,000	0	125,000
Early retirement payable	35,913	0	35,913
Portion due after one year:			
Capital loan notes payable	215,000	0	215,000
Revenue bonds payable	415,000	0	415,000
Total Liabilities	6,099,146	0	6,099,146
Net Assets			
Investment in capital assets, net of related debt	1,395,616	28,985	1,424,601
Restricted for:			
Salary improvement program	12,345	0	12,345
Early intervention	38,586	0	38,586
Talented and gifted	28,354	0	28,354
Physical plant and equipment levy	38,119	0	38,119
Other special revenue purposes	24,757	0	24,757
Unrestricted	(69,421)	52,486	(16,935)
Total Net Assets	\$ 1,468,356	81,471	1,549,827

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,379,374	119,569	555,242	(1,704,563)	0	(1,704,563)
Special instruction	1,092,597	78,781	39,737	(974,079)	0	(974,079)
Other instruction	402,052	142,616	0	(259,436)	0	(259,436)
	<u>3,874,023</u>	<u>340,966</u>	<u>594,979</u>	<u>(2,938,078)</u>	<u>0</u>	<u>(2,938,078)</u>
Support services:						
Student services	158,054	0	0	(158,054)	0	(158,054)
Instructional staff services	113,002	0	0	(113,002)	0	(113,002)
Administration services	845,672	0	0	(845,672)	0	(845,672)
Operation and maintenance of plant services	637,764	0	0	(637,764)	0	(637,764)
Transportation services	230,086	864	0	(229,222)	0	(229,222)
	<u>1,984,578</u>	<u>864</u>	<u>0</u>	<u>(1,983,714)</u>	<u>0</u>	<u>(1,983,714)</u>
Non-instructional programs	<u>10,199</u>	<u>0</u>	<u>0</u>	<u>(10,199)</u>	<u>0</u>	<u>(10,199)</u>
Other expenditures:						
Facilities acquisitions	32,410	0	0	(32,410)	0	(32,410)
Long-term debt interest	45,837	0	0	(45,837)	0	(45,837)
AEA flowthrough	219,765	0	219,765	0	0	0
Depreciation (unallocated)*	132,493	0	0	(132,493)	0	(132,493)
	<u>430,505</u>	<u>0</u>	<u>219,765</u>	<u>(210,740)</u>	<u>0</u>	<u>(210,740)</u>
Total governmental activities	<u>6,299,305</u>	<u>341,830</u>	<u>814,744</u>	<u>(5,142,731)</u>	<u>0</u>	<u>(5,142,731)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	248,604	104,817	139,483	0	(4,304)	(4,304)
Total	<u>\$ 6,547,909</u>	<u>446,647</u>	<u>954,227</u>	<u>(5,142,731)</u>	<u>(4,304)</u>	<u>(5,147,035)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,910,459	0	1,910,459
Capital outlay				162,405	0	162,405
Local option sales and services tax				330,380	0	330,380
Unrestricted state grants				2,800,602	0	2,800,602
Unrestricted investment earnings				134,168	5,262	139,430
Other				9,061	0	9,061
Total general revenues				<u>5,347,075</u>	<u>5,262</u>	<u>5,352,337</u>
Changes in net assets				204,344	958	205,302
Net assets beginning of year				<u>1,264,012</u>	<u>80,513</u>	<u>1,344,525</u>
Net assets end of year				<u>\$ 1,468,356</u>	<u>81,471</u>	<u>1,549,827</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,349,850	0	0	2,349,850
Other	334,342	255,430	437,252	1,027,024
Receivables:				
Property tax:				
Delinquent	36,695	0	4,949	41,644
Succeeding year	2,108,038	0	279,481	2,387,519
Income surtax	38,054	0	57,081	95,135
Accounts	2,624	0	308	2,932
Accrued interest - ISCAP(Note 4)	21,598	0	0	21,598
Due from other governments	46,788	112,438	0	159,226
Prepaid expenses	0	0	16,965	16,965
Total Assets	\$ 4,937,989	367,868	796,036	6,101,893
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,120	0	2	3,122
Salaries and benefits payable	489,812	0	0	489,812
ISCAP warrants payable(Note 4)	2,348,000	0	0	2,348,000
ISCAP accrued interest payable(Note 4)	18,804	0	0	18,804
ISCAP unamortized premium	16,438	0	0	16,438
Deferred revenue:				
Succeeding year property tax	2,108,038	0	279,481	2,387,519
Income surtax	38,054	0	57,081	95,135
Total liabilities	5,022,266	0	336,564	5,358,830
Fund balances:				
Reserved for:				
Debt service	0	0	361,677	361,677
Salary improvement program	12,345	0	0	12,345
Early intervention	38,586	0	0	38,586
Talented and gifted	28,354	0	0	28,354
Prepaid expenses	0	0	16,965	16,965
Unreserved	(163,562)	367,868	80,830	285,136
Total fund balances	(84,277)	367,868	459,472	743,063
Total Liabilities and Fund Balances	\$ 4,937,989	367,868	796,036	6,101,893

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 743,063
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,465,609
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	95,135
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,538)
Long-term liabilities, including capital loan notes payable, revenue bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(825,913)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 1,468,356</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,744,607	330,380	290,203	2,365,190
Tuition	198,350	0	0	198,350
Other	143,561	13,551	129,597	286,709
State sources	3,287,181	65,944	16	3,353,141
Federal sources	262,205	0	0	262,205
Total revenues	5,635,904	409,875	419,816	6,465,595
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,308,256	0	28,037	2,336,293
Special instruction	1,103,664	0	0	1,103,664
Other instruction	280,510	0	110,884	391,394
	3,692,430	0	138,921	3,831,351
Support services:				
Student services	158,054	0	0	158,054
Instructional staff services	115,974	0	0	115,974
Administration services	750,046	0	95,903	845,949
Operation and maintenance of plant services	571,743	145,371	26,676	743,790
Student transportation services	230,039	0	80,324	310,363
	1,825,856	145,371	202,903	2,174,130
Non-instructional programs:				
Community service and education operations	10,199	0	0	10,199
Other expenditures:				
Facilities acquisition	0	33,860	26,395	60,255
Long-term debt:				
Principal	0	0	150,000	150,000
Interest	0	0	48,075	48,075
AEA flowthrough	219,765	0	0	219,765
	219,765	33,860	224,470	478,095
Total expenditures	5,748,250	179,231	566,294	6,493,775
Excess(deficiency) of revenues over(under) expenditures	(112,346)	230,644	(146,478)	(28,180)
Other financing sources(uses):				
Sale of real property	0	0	28,650	28,650
Sale of equipment	2,926	0	0	2,926
Transfers in	0	0	241,379	241,379
Transfers out	0	(192,716)	(48,663)	(241,379)
Total other financing sources(uses)	2,926	(192,716)	221,366	31,576
Net change in fund balances	(109,420)	37,928	74,888	3,396
Fund balance beginning of year	25,143	329,940	384,584	739,667
Fund balance end of year	\$ (84,277)	367,868	459,472	743,063

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 3,396

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 384,192	
Depreciation expense	(316,498)	
Loss on disposal of fixed assets	<u>(41,531)</u>	26,163

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	38,054
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	151,722
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	2,238
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early Retirement	<u>(17,229)</u>

Changes in net assets of governmental activities (page 15)	<u>\$ 204,344</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents:	\$ 46,511
Inventories	5,975
Capital assets, net of accumulated depreciation(Note 5)	<u>28,985</u>
Total Assets	<u>81,471</u>
Net Assets	
Investment in capital assets, net of related debt	28,985
Unrestricted	<u>52,486</u>
Total Net Assets	<u>\$ 81,471</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 104,817
TOTAL OPERATING REVENUES	<u>104,817</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	97,741
Benefits	12,912
Services	759
Supplies	133,413
Depreciation	3,779
TOTAL OPERATING EXPENSES	<u>248,604</u>
OPERATING LOSS	<u>(143,787)</u>
NON-OPERATING REVENUES:	
State sources	3,824
Federal sources	135,659
Interest income	5,262
TOTAL NON-OPERATING REVENUES	<u>144,745</u>
Change in net assets	958
Net assets beginning of year	<u>80,513</u>
Net assets end of year	<u><u>\$ 81,471</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,442
Cash received from miscellaneous operating activities	3,443
Cash payments to employees for services	(110,653)
Cash payments to suppliers for goods or services	(116,895)
Net cash used in operating activities	<u>(122,663)</u>
Cash flows from non-capital financing activities:	
State grants received	3,824
Federal grants received	117,888
Net cash provided by non-capital financing activities	<u>121,712</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(16,143)
Net cash used in capital financing activities	<u>(16,143)</u>
Cash flows from investing activities:	
Interest on investments	5,262
Net cash provided by investing activities	<u>5,262</u>
Net decrease in cash and cash equivalents	(11,832)
Cash and cash equivalents at beginning of year	<u>58,343</u>
Cash and cash equivalents at end of year	<u>\$ 46,511</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (143,787)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,771
Depreciation	3,779
Increase in inventories	(494)
Decrease in accounts receivable	68
Net cash used in operating activities	<u>\$ (122,663)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 46,511</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$17,771.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Monona Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Monona Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 27,517</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 192,716
Debt Service	Special Revenue, Physical Plant and Equipment Levy	<u>48,663</u>
Total		<u><u>\$ 241,379</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 1,051,657	21,194	1,048,000	18,474
2006-07A	6/28/06	6/28/07	1,298,193	404	1,300,000	330
Total			<u>\$ 2,349,850</u>	<u>21,598</u>	<u>2,348,000</u>	<u>18,804</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	400,000	400,000	0
2005-06B	0	100,000	100,000	0
Total	\$ 0	500,000	500,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.900%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,999	0	450	92,549
Construction in progress	0	14,367	0	14,367
Total capital assets not being depreciated	92,999	14,367	450	106,916
Capital assets being depreciated:				
Buildings	2,745,529	42,544	79,999	2,708,074
Land improvements	758,678	104,387	63,137	799,928
Machinery and equipment	1,556,802	222,894	0	1,779,696
Total capital assets being depreciated	5,061,009	369,825	143,136	5,287,698
Less accumulated depreciation for:				
Buildings	1,585,758	95,332	38,918	1,642,172
Land improvements	700,285	37,161	63,137	674,309
Machinery and equipment	1,428,519	184,005	0	1,612,524
Total accumulated depreciation	3,714,562	316,498	102,055	3,929,005
Total capital assets being depreciated, net	1,346,447	53,327	41,081	1,358,693
Governmental activities capital assets, net	\$ 1,439,446	67,694	41,531	1,465,609

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 53,927	16,143	0	70,070
Less accumulated depreciation	37,306	3,779	0	41,085
Business-type activities capital assets, net	\$ 16,621	12,364	0	28,985

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 133,112
Special	991
Other	10,658

Support services:

Instructional support	2,161
Administration	2,618
Operation and maintenance of plant	8,522
Transportation	25,943
	184,005
Unallocated depreciation	132,493

Total governmental activities depreciation expense

\$ 316,498

Business-type activities:

Food service operations	\$ 3,779
Total business-type activities depreciation expense	\$ 3,779

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 285,000	0	35,000	250,000	35,000
Revenue Bonds	655,000	0	115,000	540,000	125,000
Car Lease	1,722	0	1,722	0	0
Early Retirement	18,684	35,913	18,684	35,913	35,913
Total	\$ 960,406	35,913	170,406	825,913	195,913

Capital Loan Notes Payable

Details of the District's June 30, 2006 capital loan notes indebtedness are as follows:

Year Ending June 30,	Loan Issue of May 1, 2001			
	Interest Rate	Principal	Interest	Total
2007	4.45 %	\$ 35,000	11,762	46,762
2008	4.55	40,000	10,205	50,205
2009	4.65	40,000	8,385	48,385
2010	4.75	45,000	6,525	51,525
2011	4.80	45,000	4,388	49,388
2012	4.95	45,000	2,227	47,227
Total		\$ 250,000	43,492	293,492

Revenue Bonds Payable

Details of the District's June 30, 2006 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rate	Principal	Interest	Total
2007	6.00 %	\$ 125,000	27,613	152,613
2008	5.75	130,000	20,125	150,125
2009	5.75	140,000	12,362	152,362
2010	5.75	145,000	4,169	149,169
Total		\$ 540,000	64,269	604,269

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on various percentages of their current employment contract depending on the age of the retiree at the end of the year. Early retirement benefits paid during the year ended June 30, 2006, totaled \$18,684. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual

payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$190,067, \$181,083 and \$163,456 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, long-term disability and life.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$660,304.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$219,765 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(11) Construction Commitment

The District has entered into various contracts totaling \$34,273 for the Central Elementary project. As of June 30, 2006, costs of \$14,367 had been incurred against the contracts. The balance of \$19,096 remaining at June 30, 2006 will be paid as work on the projects progresses.

(12) Deficit Fund Balance

The District has a deficit undesignated fund balances in the General Fund of \$163,562.

REQUIRED SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,850,249	110,079	2,960,328	2,806,289	2,806,289	154,039
State sources	3,353,141	3,824	3,356,965	3,336,718	3,336,718	20,247
Federal sources	262,205	135,659	397,864	311,000	311,000	86,864
Total revenues	6,465,595	249,562	6,715,157	6,454,007	6,454,007	261,150
Expenditures:						
Instruction	3,831,351	0	3,831,351	4,183,819	4,183,819	352,468
Support services	2,174,130	0	2,174,130	1,931,000	1,931,000	(243,130)
Non-instructional programs	10,199	248,604	258,803	326,364	326,364	67,561
Other expenditures	478,095	0	478,095	614,261	614,261	136,166
Total expenditures	6,493,775	248,604	6,742,379	7,055,444	7,055,444	313,065
Excess(deficiency) of revenues over(under) expenditures	(28,180)	958	(27,222)	(601,437)	(601,437)	574,215
Other financing sources, net	31,576	0	31,576	42,000	42,000	(10,424)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	3,396	958	4,354	(559,437)	(559,437)	563,791
Balance beginning of year	739,667	80,513	820,180	1,432,321	1,432,321	(612,141)
Balance end of year	\$ 743,063	81,471	824,534	872,884	872,884	(48,350)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 15,267	24,451	35,857	75,575	361,677	437,252
Receivables:						
Property tax:						
Current year delinquent	2,687	0	2,262	4,949	0	4,949
Succeeding year	158,361	0	121,120	279,481	0	279,481
Income surtax	0	0	57,081	57,081	0	57,081
Accounts	0	308	0	308	0	308
Due from other governments	0	0	0	0	0	0
Prepaid expenses	16,965	0	0	16,965	0	16,965
Total Assets	\$ 193,280	24,759	216,320	434,359	361,677	796,036
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	2	0	2	0	2
Deferred revenue:						
Succeeding year property tax	158,361	0	121,120	279,481	0	279,481
Income surtax	0	0	57,081	57,081	0	57,081
Total liabilities	158,361	2	178,201	336,564	0	336,564
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	361,677	361,677
Prepaid expenses	16,965	0	0	16,965	0	16,965
Unreserved fund balance	17,954	24,757	38,119	80,830	0	80,830
Total fund balances	34,919	24,757	38,119	97,795	361,677	459,472
Total Liabilities and Fund Balances	\$ 193,280	24,759	216,320	434,359	361,677	796,036

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 127,798	0	162,405	0	290,203	0	290,203
Other	2,833	115,284	3,238	227	121,582	8,015	129,597
State sources	8	0	8	0	16	0	16
TOTAL REVENUES	130,639	115,284	165,651	227	411,801	8,015	419,816
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	18,684	0	1,821	7,532	28,037	0	28,037
Other instruction	0	110,884	0	0	110,884	0	110,884
Support services:							
Administration services	91,108	0	2,895	0	94,003	1,900	95,903
Operation and maintenance of plant services	26,676	0	0	0	26,676	0	26,676
Transportation services	0	0	80,324	0	80,324	0	80,324
Other expenditures:							
Facilities acquisition	0	0	26,395	0	26,395	0	26,395
Long-term debt:							
Principal	0	0	0	0	0	150,000	150,000
Interest	0	0	0	0	0	48,075	48,075
TOTAL EXPENDITURES	136,468	110,884	111,435	7,532	366,319	199,975	566,294
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(5,829)	4,400	54,216	(7,305)	45,482	(191,960)	(146,478)
OTHER FINANCING SOURCES(USES):							
Sale of real property	0	0	28,650	0	28,650	0	28,650
Transfer in	0	0	0	0	0	241,379	241,379
Transfer out	0	0	(48,663)	0	(48,663)	0	(48,663)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(20,013)	0	(20,013)	241,379	221,366
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,829)	4,400	34,203	(7,305)	25,469	49,419	74,888
FUND BALANCES BEGINNING OF YEAR	40,748	20,357	3,916	7,305	72,326	312,258	384,584
FUND BALANCES END OF YEAR	\$ 34,919	24,757	38,119	0	97,795	361,677	459,472

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 3,744	391	2,795	1,340
Fall play	0	1,297	1,387	(90)
Vocal	3,261	2,893	2,773	3,381
Vocal trip	0	451	0	451
Instrumental	832	150	55	927
Band Uniform	2,583	0	876	1,707
Boys Basketball Camp	256	0	0	256
Girls Basketball Camp	1,391	1,720	400	2,711
Football Camp	910	1,215	1,244	881
Wrestling Club	809	0	60	749
Basball Camp	(171)	0	54	(225)
Softball Camp	182	0	0	182
Weightlifting Club	2,827	1,603	713	3,717
General Athletics	3,901	2,558	4,842	1,617
Basketball	3,026	9,942	11,974	994
Track	(5,236)	2,321	(1,837)	(1,078)
Cross County	458	759	522	695
Golf	(3,133)	30	(1,619)	(1,484)
Football	(470)	7,118	6,824	(176)
Baseball	(1,975)	2,847	1,965	(1,093)
Wrestling	3,230	2,033	1,871	3,392
Volleyball	212	2,035	1,931	316
Softball	(3,791)	3,599	(1,459)	1,267
General Class	3,768	0	3,918	(150)
Class of 2004	274	0	0	274
Class of 2005	418	16	318	116
Class of 2006	4,420	22,858	27,144	134
Class of 2007	0	15,409	9,815	5,594
Pep Club	616	0	464	152
HS Student Council	3,696	1,653	2,706	2,643
MS Student Council	662	0	0	662
Spanish Club	278	0	0	278
Science Club	141	626	171	596
Art Club	1,116	302	548	870
Dance Team	350	2,489	1,797	1,042
Cheerleaders	(381)	481	210	(110)
Yearbook	(11,333)	5,460	9,728	(15,601)
FCCLA	1,636	2,810	2,447	1,999
Interest	711	1,604	206	2,109
Sales Tax	(13)	0	(13)	0
Raffle Tax	188	0	0	188
Pop/Juice	777	11,141	8,844	3,074
Industrial Arts	114	0	0	114
HS Reward Trips	(543)	830	27	260
MS Reward Trips	616	6,643	7,183	76
Total	\$ 20,357	115,284	110,884	24,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,365,190	2,064,037	2,087,616	1,994,065
Tuition	198,350	191,256	254,964	241,953
Other	286,709	305,143	137,331	245,146
Intermediate sources	0	6,510	0	0
State sources	3,353,141	3,177,181	3,012,213	2,725,788
Federal sources	262,205	287,310	225,846	156,351
Total	<u>\$ 6,465,595</u>	<u>6,031,437</u>	<u>5,717,970</u>	<u>5,363,303</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,336,293	2,229,304	1,938,166	2,067,631
Special instruction	1,103,664	815,682	962,651	853,912
Other instruction	391,394	406,183	371,246	426,712
Support services:				
Student services	158,054	147,026	202,449	212,599
Instructional staff services	115,974	82,558	92,142	96,222
Administration services	845,949	709,071	730,528	636,064
Operation and maintenance of plant services	743,790	645,090	574,575	509,493
Transportation services	310,363	220,778	252,215	192,408
Non-instructional programs	10,199	12,046	8,031	13,028
Other expenditures:				
Facilities acquisitions	60,255	71,774	40,659	30,200
Long-term debt:				
Principal	150,000	145,000	146,168	125,000
Interest	48,075	58,890	67,320	71,378
AEA flow-through	219,765	210,935	208,975	205,920
Total	<u>\$ 6,493,775</u>	<u>5,754,337</u>	<u>5,595,125</u>	<u>5,440,567</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 29, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Monona Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

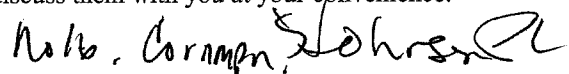
As part of obtaining reasonable assurance about whether West Monona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of West Monona Community School District and other parties to whom West Monona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Monona Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 29, 2006

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity and Nutrition Funds, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account and old class accounts.

Recommendation - The interest earned each year should be allocated out at on an annual basis to the individual activity accounts. The class accounts, where the students have already graduated, should be closed out to another student activity account.

Response - The old accounts will be closed.

Conclusion - Response accepted.

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-06 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2005 was overstated. The District's certified enrollment count on line 3 was overstated by 1 student. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-06 Financial Condition - The District had a deficit undesignated fund balance in the General Fund of \$163,562 and several deficit accounts within the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - The District will monitor these accounts and seek alternative to eliminate the deficits.

Conclusion - Response accepted.

II-K-06 Notice of Public Hearing for Public Improvement - The District did not conduct a public hearing on the track project required by Chapter 73A.2 of the Code of Iowa.

Recommendation - The District should be aware that projects that are required to be bid and which a public hearing is required, if contested by public, has to be removed at the vendors cost. Vendors should be aware of the need for public hearing if they are working with schools, and would be responsible at their expense for removing the improvement. Before entering into any contract for public improvements where the net cost is \$25,000 or more, the District is required to hold a public hearing.

Response - The District will hold a public hearing prior to entering any contract of \$25,000 or more.

Conclusion - Response accepted.